



LONGLEAF PARTNERS FUNDS®

QUARTERLY REPORT

at September 30, 2009

PARTNERS FUND

SMALL-CAP FUND

INTERNATIONAL FUND

MANAGED BY:
SOUTHEASTERN ASSET MANAGEMENT, INC.®
Memphis, TN

Cautionary Statement

One of Longleaf's "Governing Principles" is that "we will communicate with our investment partners as candidly as possible," because we believe our shareholders benefit from understanding our investment philosophy and approach. Our views and opinions regarding the investment prospects of our portfolio holdings and Funds are "forward looking statements" which may or may not be accurate over the long term. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate. Information provided in this report should not be considered a recommendation to purchase or sell any particular security.

You can identify forward looking statements by words like "believe," "expect," "anticipate," or similar expressions when discussing prospects for particular portfolio holdings and/or one of the Funds. We cannot assure future results and achievements. You should not place undue reliance on forward looking statements, which speak only as of the date of this report. We disclaim any obligation to update or alter any forward looking statements, whether as a result of new information, future events, or otherwise. This material must be preceded or accompanied by a Prospectus. Please read the Prospectus carefully for a discussion of fees, expenses, and risks. Current performance may be lower or higher than the performance quoted herein. You may obtain a current copy of the Prospectus or more current performance information by calling 800-445-9469 or at Longleaf's website (www.longleafpartners.com).

The price-to-value ratio ("P/V") is a calculation that compares the prices of the stocks in a portfolio to Southeastern's appraisal of their intrinsic values. P/V represents a single data point about a Fund, and should not be construed as something more. We caution our shareholders not to give this calculation undue weight. P/V alone tells nothing about:

- The quality of the businesses we own or the managements that run them;
- The cash held in the portfolio and when that cash will be invested;
- The range or distribution of individual P/V's that comprise the average; and
- The sources of and changes in the P/V.

When all of the above information is considered, the P/V is a useful tool to gauge the attractiveness of a Fund's potential opportunity. It does not, however, tell when that opportunity will be realized, nor does it guarantee that any particular company's price will ever reach its value. We remind our shareholders who want to find a single silver bullet of information that investments are rarely that simple. To the extent an investor considers P/V in assessing a Fund's return opportunity, the limits of this tool should be considered along with other factors relevant to each investor.

CONTENTS

Letter to Shareholders	1
Lionleaf Partners Fund (Partners Fund)	
Management Discussion	4
Performance History	6
Portfolio Summary	7
Portfolio of Investments	8
Lionleaf Partners Small-Cap Fund (Small-Cap Fund)	
Management Discussion	12
Performance History	14
Portfolio Summary	15
Portfolio of Investments	16
Lionleaf Partners International Fund (International Fund)	
Management Discussion	19
Performance History	22
Portfolio Summary	23
Portfolio of Investments	24
Fund Information	27
Service Directory	Back Cover

Longleaf Partners Funds

LETTER TO SHAREHOLDERS

TO OUR SHAREHOLDERS:

We are pleased to report another quarter of substantial compounding. All three Longleaf Partners Funds materially exceeded our absolute annual goal of inflation plus 10% in the third quarter and for the year-to-date. The Partners and Small-Cap Funds also beat their respective indices for both periods. The table below shows the Funds' cumulative returns over both the long run and the more recent periods.

	Cumulative Returns through September 30, 2009					
	<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>	<u>YTD</u>	<u>Third Quarter</u>
Partners Fund (4/8/87 IPO)	559.6%	251.5%	59.2%	(2.7)%	46.5%	18.2%
S&P 500 Index	366.2	201.0	(1.5)	5.2	19.3	15.6
Small-Cap Fund (2/21/89 IPO)	466.0	370.7	104.5	20.9	39.0	24.0
Russell 2000 Index	354.6	188.8	61.1	12.7	22.4	19.3
International Fund (10/26/98 IPO) . .	NA	174.4*	101.7	21.5	21.4	15.4
EAFE Index	NA	52.6*	28.7	34.3	29.0	19.5
Inflation plus 10%	1006.6	484.2	226.2	81.1	9.5	3.1

* Returns since International Fund inception 10/26/98. Because the EAFE Index was available only at month-end in 1998 we used the 10/31/98 value for performance since inception. Additional performance information for each Fund can be found on pages 6, 14, and 22.

Even after the strong performance over the last six months, all three portfolios remain attractively priced at P/Vs near or below their long-term averages. Most of our appraisals have stabilized, and some have increased. If the global economy grows, and 2009 proves to have been a single-year dramatic low in operating results rather than the "new normal," our appraisals are too conservative. Additionally, given how meaningfully our management partners have cut expenses, values should skyrocket whenever top line growth does return. Not only are the Funds attractive quantitatively, but they maintain the qualitative strengths that we described last quarter. We expect most of our companies to gain share, increase pricing, and/or improve their profit margins in the recovery. Our management partners are committed to growing shareholder value. In a number of cases, they have moved aggressively to strengthen their competitive advantages in this challenging environment.

Our on-deck list of qualifying new investments has shrunk over the last six months with the rally in worldwide markets. As we have sold businesses that approached appraisal and scaled back some overweight names that posted large gains, our cash reserves have grown. We have the liquidity to go on offense when opportunities

Longleaf Partners Funds LETTER TO SHAREHOLDERS

emerge. The Partners Fund has 13% cash, and the International Fund has 4.5%. Small-Cap is more fully invested.

There will be no capital gain distribution this year in any of the Funds. In addition, all three Funds have loss carryforwards. Based on calculations at 10/31/09, the Funds can realize gains between 14-21% of NAV before future distributions occur. The Partners Fund will pay a small net income distribution in mid-December estimated to be \$.01/share. We do not anticipate a net income distribution for the Small-Cap or International Funds in 2009. Final estimates will appear on our web site in early December.

During the quarter we made several enhancements to the structure of the International Fund to benefit our investment partners. First, we cut the Fund's management fee 20% reflecting the changes to Southeastern's cost structure over the last decade due to growth in accounts investing in international securities. Second, we ended our practice of hedging the Fund's economic exposure to non-US currencies given that shareholders wanted more flexibility to manage their currency exposure, and various methods for individuals and institutions to hedge easily have developed. Historically, the portfolio has been between 30-40% hedged, reflecting the weightings of country-specific holdings as opposed to more global businesses. Third, we restructured Southeastern's international research team, elevating Scott Cobb to head of European research and Ken Siazon to head of Asian research. As members of the investment team Scott and Ken have generated most of the Fund's new ideas over the last several years, proven their ability to originate successful investments, and been positive team participants. Andrew McDermott, one of the Fund's three co-managers, accelerated his Southeastern departure, an event that we began planning for over two years ago. We believe these changes to the Fund will improve the long-term opportunity for current shareholders. We hope that the Partners and Small-Cap Fund shareholders who do not own the International Fund will view these enhancements as an impetus to broaden their partnership with us.

Southeastern's opportunistic approach to investing parallels how we manage the firm. The industry turmoil of the last year has provided a qualified pool of people interested in long-term career opportunities. We view this as a unique chance to add resources to Southeastern that will be part of our team for decades. We would like to hire two entry level junior analysts who are starting their career paths in investing. One will be based in Memphis and the other in either London or Singapore. Additionally, we plan to add a somewhat experienced institutional client manager based in Memphis to be responsible for developing and maintaining client relationships in the Longleaf Funds over the next 20+ years. We welcome you to send suggestions for qualified candidates to jobs@longleafpartners.com.

Longleaf Partners Funds LETTER TO SHAREHOLDERS

We are grateful that the vast majority of our partners are solid, long-term investors. We thank you for your patience and support over the last year and are glad your loyalty is being rewarded.

Sincerely,



O. Mason Hawkins, CFA
Chairman & CEO
Southeastern Asset Management, Inc.



G. Staley Cates, CFA
President
Southeastern Asset Management, Inc.

Partners Fund MANAGEMENT DISCUSSION

Longleaf Partners Fund delivered 18.2% in the third quarter, taking the Fund's year-to-date return to 46.5%. Both periods far surpassed our absolute annual goal of inflation plus 10% as well as the benchmark index which gained 15.6% and 19.3% respectively. Below are the cumulative results of the Fund for longer periods.

	Cumulative Returns at September 30, 2009			
	<u>Inception</u>	<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>
Partners Fund	901.5%	559.6%	251.5%	59.2%
S&P 500 Index	508.3	366.2	201.0	(1.5)
Inflation plus 10%	1450.4	1006.6	484.2	226.2

Please see page 6 for additional performance information.

The names in the portfolio did not change, but we trimmed two overweight positions, Dell and Liberty Media Entertainment ("LMDIA"), as their prices rose. We reinvested some of the Liberty proceeds into DirecTV ("DTV") to maintain a combined position of roughly 15% in these two stocks, which should become a single company in the fourth quarter.

The relationship between the price of DTV and LMDIA over the last year provides insight into how variably "Mr. Market" priced virtually the same asset. Liberty Media Entertainment owns just over half of DTV's shares as well as several small assets, making the value of the two companies very close on a price per share basis. In November of 2008 DTV traded around \$22 while LMDIA fell to around \$11. The underlying assets did not change, and we exchanged half of our DTV position to overweight LMDIA. By May the trade paid handsomely. LMDIA rose above \$25 and DTV sold for below \$24. Because the stocks' P/V ratios were similar, we equally weighted the positions. Since then, LMDIA has appreciated to over \$30. We have trimmed the position and added some of the proceeds to DTV in the mid \$20s. These portfolio changes reflect more trading than usual for Southeastern — we are long-term business owners. "Mr. Market," however, has enabled us to own the same satellite television company through two different stocks at vastly different prices. Not surprisingly, Liberty Media Entertainment has been the top contributor to the Partners Fund's performance this year, gaining almost 80% in 2009.

Chesapeake Energy gained over 40% in the quarter and has appreciated almost 80% this year. Management sold non-core assets, grew production, moved probable reserves to proved, and cut capital spending. The price of natural gas also rebounded from intra-quarter lows under \$3/mcf to near \$5/mcf. Liberty Interactive rose over 100% in the quarter and over 250% for the year-to-date. QVC results stabilized, and the company's bottom line outperformed almost all of its traditional retailer peers over

Partners Fund MANAGEMENT DISCUSSION

the difficult last year. Management wisely waited until company results and the credit environment improved before they extended the maturities of QVC's bank debt. Cemex gained almost 40% in the quarter and is ahead about 50% for the year. Management sold assets and successfully refinanced the business by issuing \$1.8 billion in equity. In turn, maturities were extended at favorable interest rates. While cement unit demand has dropped precipitously with the global recession, local pricing is up in almost every market aside from the U.S. and Spain. Sales in developing markets are beginning to recover, and infrastructure stimulus spending is being released in more developed areas.

Technology-related holdings, Sun and Dell, round out the top performers for this year. We sold Sun in April after Oracle's announcement of a takeover caused the stock to rise over 130%. Dell has gained almost 50% in 2009. The company's cost cutting has helped margins improve even though revenues have declined. Dell announced it will acquire Perot Systems, whose IT services business complements Dell's. Dell's sales capabilities should meaningfully grow Perot's top line.

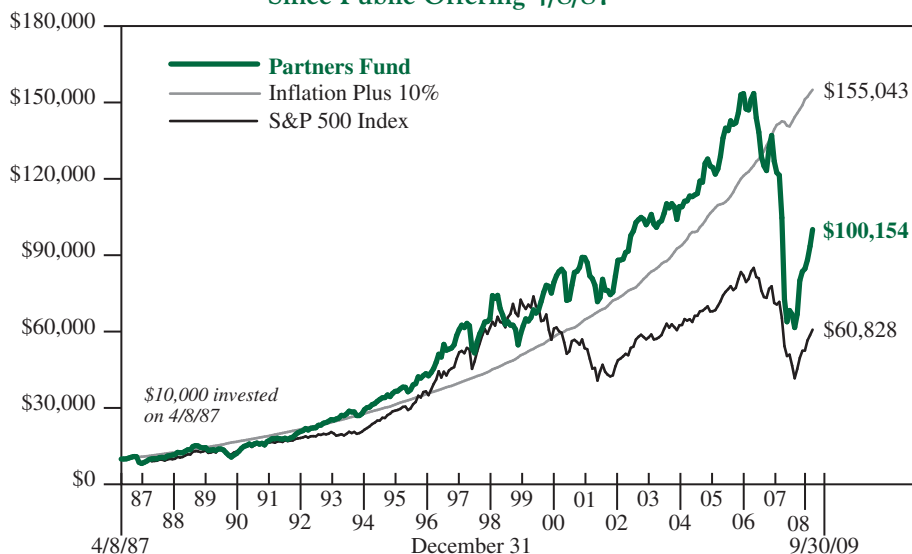
Little has negatively impacted the Fund's strong performance. In the quarter Level 3 reported disappointing revenues primarily caused by internet backbone customer deferred spending. As the economy improves and capacity utilization rises, cable operators and other wholesale customers will have to spend to manage growing demand. Level 3 announced a new board member, Rahul Merchant, who has a wealth of experience in the telecommunications and technology industries including being on the Sun board. Although the stock fell 8% in the quarter, it has almost doubled in 2009. For the year NipponKoa has declined 16%. The proposed merger with Sompo will be voted on in December, and Southeastern has been explicit with management regarding the terms we must see in order to support the marriage. We believe the company needs our votes for the merger to occur. If the joint company is structured as we advocate, a unique company will be created, and we should reap handsome returns. If the merger fails, shareholders have alternative options for closing the large gap between NipponKoa's price and its intrinsic value.

We believe that the Partners Fund can deliver significant excess returns on top of leading year-to-date results. The P/V is in the high-50%^s, well below the long-term average. Our management partners have proven records of building value. The businesses we own are competitively advantaged and are positioned to thrive when demand returns. Our cash position provides the liquidity we will need when we identify the next few opportunities. As the Fund's largest shareholder group, we expect to be rewarded handsomely from here.

Partners Fund - PERFORMANCE HISTORY

LONGLEAF PARTNERS FUND

Comparison of Change in Value of \$10,000 Investment
Since Public Offering 4/8/87



AVERAGE ANNUAL RETURNS for the periods ended September 30, 2009

	<u>Partners Fund</u>	<u>S&P 500 Index</u>	<u>Inflation Plus 10%</u>
Year-to-Date	46.53%	19.26%	9.49%
One Year	(4.37)	(6.91)	8.68
Five Years	(0.54)	1.02	12.61
Ten Years	4.76	(0.15)	12.55
Since Public Offering 4/8/87	10.79	8.35	12.97

Past performance does not predict future performance, Fund prices fluctuate, and the value of an investment at redemption may be worth more or less than the purchase price. The Fund's performance results in the table shown above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The S&P 500 Index is shown with all dividends and distributions reinvested. In 1987, the reinvested S&P 500 Index was available at month-end only; therefore, the index value at 3/31/87 was used to calculate performance since public offering. This index is unmanaged and is not hedged for foreign currency risk. Historic numbers include periods in which the Fund used currency hedging as an investment strategy. Beginning in the third quarter 2009, and following a transition period ending by 6/30/10, hedging as a routine strategy ended. The U.S. Bureau of Labor Statistics compiles the monthly CPI-U values used to calculate inflation. Seasonally adjusted inflation data is presented for periods less than one year. Current performance may be lower or higher than the performance quoted. Please call 800-445-9469 or view Longleaf's website (www.longleafpartners.com) for more current performance information.

Partners Fund – PORTFOLIO SUMMARY

TABLE OF PORTFOLIO HOLDINGS

at September 30, 2009

	<i>Net Assets</i>
Common Stock.	85.8%
Chesapeake Energy Corporation.	9.1
The DIRECTV Group, Inc.	9.1
Dell Inc.	8.1
The Walt Disney Corporation	5.9
Liberty Media Holding Corporation – Interactive	5.3
Liberty Media Entertainment Corporation	5.2
The NipponKoa Insurance Company, Ltd.	5.0
Marriott International, Inc.	4.9
Yum! Brands, Inc.	4.8
Cemex S.A.B. de C.V. ADS	4.8
Koninklijke Philips Electronics N.V.	4.8
Pioneer Natural Resources Company	3.9
Berkshire Hathaway Inc.	3.6
Aon Corporation	3.3
FedEx Corporation	2.8
Telephone and Data Systems, Inc.	2.7
Level 3 Communications, Inc.	2.5
Corporate Bonds.	1.5
Level 3 Communications, Inc.	1.5
Cash Reserves.	13.0
Other Assets and Liabilities, net.	(0.3)
	<u>100.0%</u>

PORTFOLIO CHANGES

January 1, 2009 through September 30, 2009

New Holdings

Aon Corporation
Berkshire Hathaway Inc. – Class A

Eliminations

eBay, Inc.
General Motors Corporation,
5.25% Series B Convertible
Senior Debentures due 2032
Level 3 Communications, Inc.,
6% Convertible Subordinated
Notes due 3-15-10
Sun Microsystems, Inc.
Walgreen Co.

Partners Fund - PORTFOLIO OF INVESTMENTS

at September 30, 2009 (Unaudited)

Shares		Value
<i>Common Stock 85.8%</i>		
	<i>Broadcasting and Cable 14.3%</i>	
26,244,000	*The DIRECTV Group, Inc.	\$ 723,809,520
13,174,999	*Liberty Media Entertainment Corporation – Class A. . .	409,874,219
		<u>1,133,683,739</u>
	<i>Construction Materials 4.8%</i>	
29,459,040	*Cemex S.A.B. de C.V. ADS (Foreign)	380,610,797
	<i>Entertainment 5.9%</i>	
17,035,082	The Walt Disney Corporation	467,783,352
	<i>Hotels 4.9%</i>	
13,963,769	Marriott International, Inc. ^(d)	385,260,387
	<i>Insurance Brokerage 3.3%</i>	
6,361,677	Aon Corporation	258,856,637
	<i>Internet and Catalog Retail 5.3%</i>	
38,289,181	*Liberty Media Holding Corporation – Interactive Series A	420,032,316
	<i>Multi-Industry 4.8%</i>	
12,144,000	Koninklijke (Royal) Philips Electronics N.V. (Foreign) . .	295,709,670
3,406,731	Koninklijke (Royal) Philips Electronics N.V. ADR (Foreign)	82,987,967
		<u>378,697,637</u>
	<i>Natural Resources 13.0%</i>	
25,596,576	Chesapeake Energy Corporation	726,942,758
8,657,900	Pioneer Natural Resources Company ^(b)	314,195,191
		<u>1,041,137,949</u>
	<i>Property & Casualty Insurance 8.6%</i>	
2,863	*Berkshire Hathaway Inc. – Class A	289,163,000
63,701,000	The NipponKoa Insurance Company, Ltd. (Foreign) ^(b)	398,818,715
		<u>687,981,715</u>
	<i>Restaurants 4.8%</i>	
11,410,958	Yum! Brands, Inc.	385,233,942
	<i>Technology 8.1%</i>	
42,430,665	*Dell Inc. ^(d)	647,491,948
	<i>Telecommunications 5.2%</i>	
142,006,754	*Level 3 Communications, Inc. ^(b)	197,389,388
1,530,800	Telephone and Data Systems, Inc.	47,470,108
5,666,200	Telephone and Data Systems, Inc. – Special.	168,172,816
		<u>413,032,312</u>

Partners Fund - PORTFOLIO OF INVESTMENTS

at September 30, 2009 (Unaudited)

<u>Shares</u>		<u>Value</u>
2,930,629	<i>Transportation 2.8%</i> FedEx Corporation	\$ 220,441,913
	Total Common Stocks (Cost \$6,177,026,190)	<u>6,820,244,644</u>
Principal Amount		
<i>Corporate Bonds 1.5%</i>		
100,062,000	<i>Telecommunications 1.5%</i> Level 3 Communications, Inc. 15% Convertible Senior Notes due 1-15-13 ^{(b)(c)} (Cost \$100,062,000)	118,698,548
Principal Amount		
<i>Short-Term Obligations 13.0%</i>		
335,260,000	Repurchase Agreement with State Street Bank, 0.01% due 10/1/09, Repurchase price \$335,260,093 (Collateral: \$272,775,000 U.S. Treasury Bonds, 3.58%-3.96%, due 11/15/21 to 5/15/39, Value \$341,966,590)	335,260,000
700,000,000	U.S. Treasury Bills, 0.13%-0.15% due 10/15/09 to 12/10/09 . . .	699,958,300
	Total Short-Term Obligations (Cost \$1,035,178,334)	<u>1,035,218,300</u>
Total Investments (Cost \$7,312,266,524)^(a)		100.3% 7,974,161,492
Other Assets and Liabilities, Net		(0.3) (23,325,889)
Net Assets		<u>100.0% \$7,950,835,603</u>
Net asset value per share.		<u>\$22.99</u>

* Non-income producing security.

(a) Aggregate cost for federal income tax purposes is \$7,333,227,060. Net unrealized appreciation of \$661,894,968 consists of unrealized appreciation and depreciation of \$1,681,600,172 and \$(1,019,705,204), respectively.

(b) Affiliated issuer, as defined under Section 2(a)(3) of the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of the issuer).

(c) Illiquid and board valued.

(d) A portion designated as collateral for forward currency contracts and option contracts.

Note: Companies designated as "Foreign" are headquartered outside the U.S. and represent 15% of net assets.

Partners Fund - PORTFOLIO OF INVESTMENTS
at September 30, 2009 (Unaudited)

FORWARD CURRENCY CONTRACTS

<u>Currency Units Sold</u>	<u>Currency Sold and Settlement Date</u>	<u>Currency Market Value</u>	<u>Unrealized Loss</u>
8,000,000,000	Japanese Yen 12/18/09	\$ 89,170,489	\$ (8,764,439)
4,900,000,000	Japanese Yen 3/26/10	54,658,341	(3,230,969)
		<u>\$143,828,830</u>	<u>\$(11,995,408)</u>

OPTIONS WRITTEN

<u>Contracts</u>	<u>Description</u>	<u>Market Value</u>	<u>Unrealized Loss</u>
12,000,000	Marriott International, Inc. Call, January 2010, Strike Price \$30	\$18,720,000	\$(2,490,000)



Intentionally Left Blank

Small-Cap Fund MANAGEMENT DISCUSSION

Longleaf Partners Small-Cap Fund had the second best quarter in the Fund's 20-year history, gaining 24.0%. The Russell 2000 Index added 19.3%. For the year-to-date the Fund has risen 39.0% versus 22.4% for the benchmark. The Fund's results far exceed our absolute annual goal of inflation plus 10%. As shown below, our partners have been rewarded for their investment over the long term as well.

	Cumulative Returns through September 30, 2009			
	<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
Small-Cap Fund.	466.0%	370.7%	104.5%	20.9%
Russell 2000 Index.	354.6	188.8	61.1	12.7
Inflation plus 10%	1006.6	484.2	226.2	81.1

Please see page 14 for additional performance information.

Most of the stocks in the portfolio rose in the quarter. Fairfax, which is the Fund's largest position, gained 48% as this insurer benefitted from strong equity and tax-free bond returns. The company also offered to acquire the publicly traded minority interest of Odyssey Re at an attractive price, financed by new FFH shares. This value-neutral transaction will enhance Fairfax's financial flexibility by allowing management to upstream excess cash from this key subsidiary to the holding company, thereby giving Prem Watsa and his capable team more investment discretion. Fair Isaac appreciated 39% in the quarter. The company has generated meaningful free cash flow throughout the last year, and although revenues declined, operating income margins grew. Management reported an increase in the top line over last quarter in both their credit scoring and software businesses.

Another top holding, tw telecom, added 31% in the last three months and is also one of the top contributors for the year. This provider of internet connectivity to small and mid-sized enterprises has grown revenues and margins in spite of the bad economy. Dillard's rose over 50% in the quarter and has been the largest contributor to year-to-date return with a 260% gain. While the recession has caused the top line to suffer in line with other retailers, management has done an impressive job controlling inventory and cutting costs. The company's real estate assets alone are worth considerably more than the stock price. Pioneer Natural Resources, up 42% in the quarter and 125% year-to-date, has benefitted from rising oil prices and adding new independent directors.

Discovery, which rose 27% in the quarter, has been among the best 2009 contributors, gaining almost 100% this year. Revenues have held up well in a brutal advertising environment thanks to a large percentage of subscription fees and management's programming successes. The company has cut costs and entered agreements with brands such as Hasbro and Oprah Winfrey to convert lagging channels into new ones.

Small-Cap Fund MANAGEMENT DISCUSSION

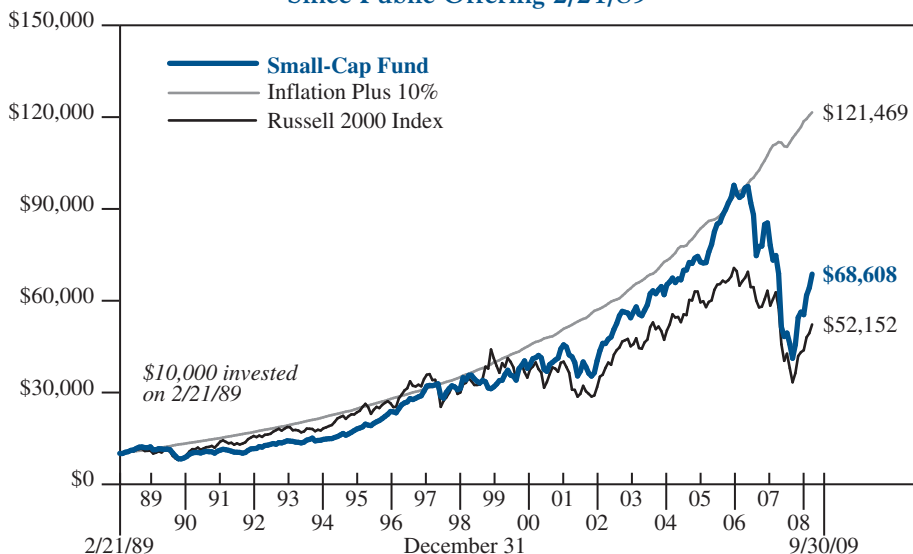
Only two names detracted from performance over the last three months. DineEquity raised guidance, but the market focused on overall lower demand in casual dining and the company's shelf registration for up to \$200 million in new securities. Even in this challenging eat-at-home environment, the stock has more than doubled this year. Level 3 reported disappointing revenues primarily caused by internet backbone customer deferred spending. As the economy improves and capacity utilization rises, cable operators and other wholesale customers will have to spend to manage growing demand. Level 3 announced a new board member, Rahul Merchant, who has a wealth of experience in the telecommunications and technology industries including being on the Sun board. Although the stock fell 8% in the quarter, it has almost doubled in 2009.

We made relatively few changes to the portfolio, though we trimmed overweight Discovery and Fairfax positions after their substantial gains. The Fund is trading at a P/V in the mid-50%, far below the historic average. We have witnessed impressive work by many of our management partners throughout the stressed economic climate of the last year. Whether slashing costs, retiring debt and equity at steep discounts, selling assets at attractive prices, or taking advantage of weaker rivals, managements have been fending off the forces of economic decline and positioning our companies to be stronger in the aftermath. The quality of our management partners and the businesses we own combined with the steep discounts in their stock prices make us thrilled to be long-term owners of Longleaf Partners Small-Cap Fund.

Small-Cap Fund - PERFORMANCE HISTORY

LONGLEAF PARTNERS SMALL-CAP FUND

Comparison of Change in Value of \$10,000 Investment
Since Public Offering 2/21/89



AVERAGE ANNUAL RETURNS for the periods ended September 30, 2009

	Small-Cap Fund	Russell 2000 Index	Inflation Plus 10%
Year-to-Date	39.03%	22.43%	9.49%
One Year	(0.20)	(9.55)	8.68
Five Years	3.86	2.41	12.61
Ten Years	7.42	4.88	12.55
Since Public Offering 2/21/89	9.80	8.35	12.88

Past performance does not predict future performance. Fund prices fluctuate, and the value of an investment at redemption may be worth more or less than the purchase price. The Fund's performance results in the table shown above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The Russell 2000 Index is shown with all dividends and distributions reinvested. This index is unmanaged and is not hedged for foreign currency risk. Historic numbers include periods in which the Fund used currency hedging as an investment strategy. Beginning in the third quarter 2009, and following a transition period ending by 6/30/10, hedging as a routine strategy ended. The U.S. Bureau of Labor Statistics compiles the monthly CPI-U values used to calculate inflation. Seasonally adjusted inflation data is presented for periods less than one year. Current performance may be lower or higher than the performance quoted. Please call 800-445-9469 or view Longleaf's website (www.longleafpartners.com) for more current performance information.

Small-Cap Fund - PORTFOLIO SUMMARY

TABLE OF PORTFOLIO HOLDINGS

at September 30, 2009

	<u>Net Assets</u>
Common Stock.	98.4%
Fairfax Financial Holdings Limited.	8.9
tw telecom inc.	8.2
The Washington Post Company.	6.5
Fair Isaac Corporation	6.3
Pioneer Natural Resources Company	6.0
Dillard's Inc.	5.3
Service Corporation International	5.1
Discovery Communications, Inc.	4.9
Everest Re Group, Ltd.	4.8
Wendy's/Arby's Group, Inc.	4.6
Olympus Corporation	4.5
Texas Industries, Inc.	4.4
The First American Corporation	4.3
Willis Group Holdings Limited	4.0
Markel Corporation	3.9
Worthington Industries, Inc.	3.8
Ruddick Corporation.	3.4
Potlatch Corporation.	3.4
DineEquity, Inc.	3.1
Level 3 Communications, Inc.	3.0
Cash Reserves.	1.2
Other Assets and Liabilities, net.	0.4
	<u>100.0%</u>

PORTFOLIO CHANGES

January 1, 2009 through September 30, 2009

New Holdings

The First American Corporation

Eliminations

Clearwater Paper Corporation
Del Monte Foods Company
Discovery Communications,
Inc. – Class A

Small-Cap Fund - PORTFOLIO OF INVESTMENTS

at September 30, 2009 (Unaudited)

<u>Shares</u>		<u>Value</u>
<i>Common Stock 98.4%</i>		
	<i>Construction Materials 4.4%</i>	
2,514,100	Texas Industries, Inc. ^(b)	\$ 105,567,059
	<i>Education & Media 6.5%</i>	
337,855	The Washington Post Company – Class B	158,143,168
	<i>Entertainment 4.9%</i>	
4,545,704	*Discovery Communications, Inc. – Class C.	118,324,675
	<i>Financial Services 4.3%</i>	
3,203,969	The First American Corporation	103,712,477
	<i>Funeral Services 5.1%</i>	
17,540,716	Service Corporation International ^(b)	122,960,419
	<i>Grocery – Retail 3.4%</i>	
3,107,459	Ruddick Corporation ^(b)	82,720,559
	<i>Information Technology 6.3%</i>	
7,076,400	Fair Isaac Corporation ^(b)	152,071,836
	<i>Insurance Brokerage 4.0%</i>	
3,398,000	Willis Group Holdings Limited (Foreign)	95,891,560
	<i>Manufacturing 3.8%</i>	
6,581,000	Worthington Industries, Inc. ^(b)	91,475,900
	<i>Medical and Photo Equipment 4.5%</i>	
4,096,000	Olympus Corporation (Foreign)	108,600,011
	<i>Natural Resources 9.4%</i>	
4,004,300	Pioneer Natural Resources Company	145,316,047
2,887,000	Potlatch Corporation ^(b)	82,135,150
		<u>227,451,197</u>
	<i>Property & Casualty Insurance 17.6%</i>	
1,335,000	Everest Re Group, Ltd. (Foreign)	117,079,500
579,772	Fairfax Financial Holdings Limited (Foreign)	214,938,874
288,000	*Markel Corporation	94,988,160
		<u>427,006,534</u>
	<i>Restaurants 7.7%</i>	
2,978,100	*DineEquity, Inc. ^(b)	73,707,975
23,197,597	Wendy's/Arby's Group, Inc.	109,724,634
		<u>183,432,609</u>
	<i>Retail 5.3%</i>	
9,050,748	Dillards, Inc. – Class A ^(b)	127,615,547

Small-Cap Fund - PORTFOLIO OF INVESTMENTS

at September 30, 2009 (Unaudited)

Shares		Value
	<i>Telecommunications 11.2%</i>	
52,451,000	*Level 3 Communications, Inc.	\$ 72,906,890
14,732,670	*tw telecom inc. ^(b)	198,154,411
		<u>271,061,301</u>
	Total Common Stocks (Cost \$2,533,961,589)	<u>2,376,034,852</u>
Principal Amount		
	<i>Short-Term Obligations 1.2%</i>	
28,041,000	Repurchase Agreement with State Street Bank, 0.01% due 10/1/09, Repurchase price \$28,041,008 (Collateral: \$19,790,000 U.S. Treasury Bond, 3.58%, due 11/15/21, Value \$28,608,424)	28,041,000
Total Investments (Cost \$2,562,002,589) ^(a)	99.6%	2,404,075,852
Other Assets and Liabilities, Net	0.4	9,852,578
Net Assets	<u>100.0%</u>	<u>\$2,413,928,430</u>
Net asset value per share		<u>\$20.27</u>

* Non-income producing security.

^(a) Aggregate cost for federal tax purposes is \$2,563,921,290. Net unrealized depreciation of \$(157,926,737) consists of unrealized appreciation and depreciation of \$324,782,955 and \$(482,709,692), respectively.

^(b) Affiliated issuer, as defined under Section 2(a)(3) of the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of the issuer).

Note: Companies designated as "Foreign" are headquartered outside the U.S. and represent 22% of net assets.



Intentionally Left Blank

International Fund MANAGEMENT DISCUSSION

Longleaf Partners International Fund returned 15.4% in the third quarter and 21.4% for the year-to-date, beating our absolute return goal of inflation plus 10% for both periods. Although the Fund has not matched the MSCI EAFE's returns in 2009, the longer term results shown below have far exceeded the benchmark.

	Cumulative Returns through September 30, 2009	
	Inception	10 Year
International Fund	174.4%	101.7%
EAFE Index	52.6	28.7
Inflation plus 10%	267.3	226.2

Please see page 22 for additional performance information.

During the quarter we made several enhancements to the structure of the International Fund to benefit our investment partners. First, we cut the Fund's management fee 20% reflecting the changes to Southeastern's cost structure over the last decade due to growth in accounts investing in international securities. Second, we ended our practice of hedging the Fund's economic exposure to non-US currencies given that shareholders wanted more flexibility to manage their currency exposure, and various methods for individuals and institutions to hedge easily have developed. Historically, the portfolio has been between 30-40% hedged, reflecting the weightings of country-specific holdings as opposed to more global businesses. Third, we restructured Southeastern's international research team, elevating Scott Cobb to head of European research and Ken Siazon to head of Asian research. As members of the investment team Scott and Ken have generated most of the Fund's new ideas over the last several years, proven their ability to originate successful investments, and been positive team participants. Andrew McDermott, one of the Fund's three co-managers, accelerated his Southeastern departure, an event that we began planning for over two years ago. We believe these changes to the Fund will improve the long-term opportunity for current shareholders.

Also, during the third quarter we sold Benesse and Ingersoll-Rand and trimmed five overweight positions after prices appreciated, including Accor, Dell, Fairfax, Olympus, and Philips. Ingersoll-Rand gained 47% in the quarter and over 80% year-to-date. The company further assimilated its Trane acquisition and strengthened its balance sheet. As the stock approached our appraisal, we sold most of our position in the quarter and have subsequently completed the liquidation. We bought a minimal stake in Benesse before its price rallied over 20%, and we sold the small holding at a gain. We bought a new position in German company Linde, the second largest distributor of

International Fund MANAGEMENT DISCUSSION

industrial gas in the world. Linde has already been a significant positive contributor to performance with its price up 30% since our initial purchase.

The biggest contributors to performance in the quarter were Fairfax, Ingersoll-Rand, and Accor. Fairfax rose 49% as it benefited from strong equity and tax-free bond returns. The company also announced the acquisition of the publicly traded minority interest of Odyssey Re at an attractive price, financed by new FFH shares. This value-neutral transaction will enhance Fairfax's financial flexibility by allowing management to upstream excess cash from this key subsidiary to the holding company, thereby giving Prem Watsa and his capable team more investment discretion. Accor's price rose 35% in the quarter after management announced its intention to split the company into two segments: hotels and prepaid services. The service voucher business has been the "hidden gem" at Accor, and the planned split should help the market properly weigh both parts of Accor. Management also built intrinsic worth through a sale-leaseback of a portion of its economy hotel business at above replacement value in a depressed market.

Other notable contributors in the quarter and for the year were Genting, Cheung Kong, and Cemex. In each of these companies, we have management teams in place who are taking the right steps to create value for shareholders. Genting has risen 86% this year. Its Singapore casino project is on track to open by February 2010 amid rumors that its sole competitor, Las Vegas Sands, will see further delays. Cheung Kong has appreciated almost 40% this year as property sales and rentals accelerated, particularly in China, which accounts for approximately 25% of property sales. The company's chairman, Li Ka Shing, personally purchased a significant number of shares in the quarter. Cemex gained almost 40% in the quarter and is ahead about 50% for the year. Management sold assets and successfully refinanced the business by issuing \$1.8 billion in equity. In turn, maturities were extended at favorable interest rates. While cement unit demand has dropped precipitously with the global recession, local pricing is up in almost every market aside from the U.S. and Spain. Sales in developing markets are beginning to recover, and infrastructure stimulus spending is being released in more developed areas. In each of these companies, we have management teams in place who are taking the right steps to create value for shareholders. We saw another example of great management at EnCana, which rallied 16% in the quarter after announcing a definitive date (November 30, 2009) for its intended split into two distinct energy companies, an integrated oil company with significant oil sands assets and a pure-play natural gas producer. The split of the company will allow the market to better value these world-class operations as stand-alone entities. We continue to applaud management's efforts in creating long-term value for shareholders.

International Fund MANAGEMENT DISCUSSION

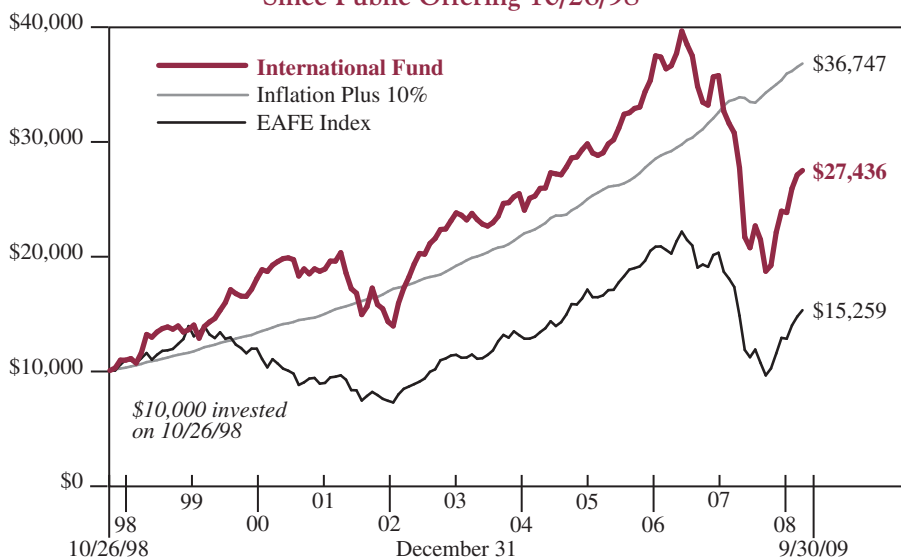
Only two names contributed negatively for the quarter — Daiwa and Japan Petroleum. Daiwa was heavily punished after management raised 200 billion yen through public offerings in July. This diluted our value, but the company is now extremely well capitalized. The stock remains attractive at this depressed price. Japex also declined and sells at a discount to the value of its public stake in INPEX with no credit given for the company's oil and gas assets. NipponKoa appreciated in the third quarter, but has been the largest detractor from 2009 performance. The proposed merger with Sompo will be voted on in December, and Southeastern has been explicit with management regarding the terms we must see in order to support the marriage. We believe the company needs our votes for the merger to occur. If the joint company is structured as we advocate, a unique company will be created, and we should reap handsome returns. If the merger fails, shareholders have alternative options for closing the large gap between NipponKoa's price and its intrinsic value.

While we were pleased to see most stock prices continue their upward march in the quarter, we are far more excited for the potential for value growth from this point at each of the companies in the portfolio. The geographical diversity of the portfolio highlights the increased breadth of our international research, as we continue to unearth attractive investments around the globe. Importantly, we have followed our discipline of selling names that reach full value and trimming overweight names that appreciate to fund more heavily discounted, competitively entrenched businesses. Despite the market rally, we continue to see opportunities both in our existing holdings and in a few new companies that are "on-deck." With a compelling P/V in the low-60% and the qualitative strength of our businesses and management teams, the International Fund is positioned to deliver significant excess returns over the next several years. Thank you for your continued support and partnership.

International Fund - PERFORMANCE HISTORY

LONGLEAF PARTNERS INTERNATIONAL FUND

Comparison of Change in Value of \$10,000 Investment
Since Public Offering 10/26/98



AVERAGE ANNUAL RETURNS for the periods ended September 30, 2009

	International Fund	EAFE Index	Inflation Plus 10%
Year-to-Date	21.37%	28.97%	9.49%
One Year	(0.81)	3.23	8.68
Five Years	3.97	6.07	12.61
Ten Years	7.27	2.55	12.55
Since Public Offering 10/26/98	9.67	3.95	12.65

Past performance does not predict future performance, Fund prices fluctuate, and the value of an investment at redemption may be worth more or less than the purchase price. The Fund's performance results in the table shown above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The EAFE Index is shown with all dividends and distributions reinvested. Because the EAFE was available only at month-end in 1998, we used the 10/31/98 value for performance since inception. This index is unmanaged and is not hedged for foreign currency risk. Historic numbers include periods in which the Fund used currency hedging as an investment strategy. Beginning in the third quarter 2009, and following a transition period ending by 6/30/10, hedging as a routine strategy ended. The U.S. Bureau of Labor Statistics compiles the monthly CPI-U values used to calculate inflation. Seasonally adjusted inflation data is presented for periods less than one year. Current performance may be lower or higher than the performance quoted. Please call 800-445-9469 or view Longleaf's website (www.longleafpartners.com) for more current performance information.

International Fund - PORTFOLIO SUMMARY

TABLE OF PORTFOLIO HOLDINGS

at September 30, 2009

		<u>Net Assets</u>
Common Stock.		95.2%
Fairfax Financial Holdings Limited	10.0	
The NipponKoa Insurance Company, Ltd.	8.0	
Genting Berhad	7.6	
Cheung Kong Holdings Limited	7.4	
ACS, Actividades de Construccion Y Servicios, S.A. . .	7.0	
Cemex S.A.B. de C.V. ADS	5.9	
Accor S.A.	5.0	
Koninklijke Philips Electronics N.V.	4.9	
Olympus Corporation	4.8	
Dell Inc.	4.7	
Linde AG	4.6	
Willis Group Holdings Limited	4.5	
Yum! Brands, Inc.	4.5	
Sompo Japanese Insurance Company Inc.	4.2	
Japan Petroleum Exploration Co., Ltd.	4.2	
Daiwa Securities Group, Inc.	3.3	
Diageo plc	2.6	
EnCana Corporation	1.7	
Ingersoll-Rand Company Limited	0.3	
Cash Reserves		4.5
Other Assets and Liabilities, net.		<u>0.3</u>
		<u>100.0%</u>

PORTFOLIO CHANGES

January 1, 2009 through September 30, 2009

<u>New Holdings</u>	<u>Eliminations</u>
Benesse Corporation	Benesse Corporation
Diageo plc	NH Hoteles, S.A.
Linde AG	

International Fund - PORTFOLIO OF INVESTMENTS

at September 30, 2009 (Unaudited)

Shares		Value
<i>Common Stock 95.2%</i>		
3,742,000	<i>Beverages 2.6%</i> Diageo plc (United Kingdom)	\$ 57,410,985
10,118,000	<i>Construction Materials 5.9%</i> *Cemex S.A.B. de C.V. ADS (Mexico)	130,724,560
1,987,500	<i>Hospitality Services 12.6%</i> Accor S.A. (France)	110,636,414
85,505,400	Genting Berhad (Malaysia) ^(b)	169,479,065
		280,115,479
935,487	<i>Industrials 4.6%</i> Linde AG (Germany)	101,411,960
3,586,000	<i>Insurance Brokerage 4.5%</i> Willis Group Holdings Limited (United Kingdom)	101,196,920
4,012,000	<i>Medical and Photo Equipment 4.8%</i> Olympus Corporation (Japan)	106,372,863
2,995,353	<i>Multi-Industry 19.6%</i> ACS, Actividades de Construccion Y Servicios, S.A. (Spain)	156,219,827
12,893,000	Cheung Kong Holdings Limited (Hong Kong) ^(b)	163,615,273
251,148	Ingersoll-Rand Company Limited (Ireland)	7,702,709
793,000	Koninklijke (Royal) Philips Electronics N.V. (Netherlands)	19,309,764
3,683,000	Koninklijke (Royal) Philips Electronics N.V. ADR (Netherlands)	89,717,880
		436,565,453
650,000	<i>Natural Resources 5.9%</i> EnCana Corporation (Canada)	37,446,500
1,816,900	Japan Petroleum Exploration Co., Ltd. (Japan) ^(b)	92,702,078
		130,148,578
598,543	<i>Property & Casualty Insurance 22.2%</i> Fairfax Financial Holdings Limited (Canada)	221,897,846
28,556,000	The NipponKoa Insurance Company, Ltd. (Japan) ^(b)	178,783,178
13,995,000	Sompo Japanese Insurance Company Inc. (Japan)	94,167,883
		494,848,907
2,939,500	<i>Restaurants 4.5%</i> Yum! Brands, Inc. (United States)	99,237,520
14,441,000	<i>Securities Brokerage 3.3%</i> Daiwa Securities Group, Inc. (Japan)	74,485,412

International Fund - PORTFOLIO OF INVESTMENTS

at September 30, 2009 (Unaudited)

<u>Shares</u>		<u>Value</u>
6,832,800	<i>Technology 4.7%</i> *Dell Inc. (United States) ^(b)	\$ 104,268,528
	Total Common Stocks (Cost \$1,915,846,962)	<u>2,116,787,165</u>
Principal Amount		
	<i>Short-Term Obligations 4.5%</i>	
50,818,000	Repurchase Agreement with State Street Bank, 0.01% due 10/1/09, Repurchase price \$50,818,014 (Collateral: \$41,235,000 U.S. Treasury Bonds, 3.14%-3.58%, due 8/15/18 to 11/15/21, Value \$51,834,566)	50,818,000
50,000,000	U.S. Treasury Bill, 0.19% due 10/22/09	49,999,200
	Total Short-Term Obligations (Cost \$100,817,417)	<u>100,817,200</u>
	Total Investments (Cost \$2,016,664,379)^(a)	99.7% 2,217,604,365
	Other Assets and Liabilities, Net	0.3 5,905,986
	Net Assets	<u>100.0% \$2,223,510,351</u>
	Net asset value per share.	<u>\$13.46</u>

* Non-income producing security.

^(a) Also represents aggregate cost for federal income tax purposes. Net unrealized appreciation of \$200,939,986 consists of unrealized appreciation and depreciation of \$472,121,282 and \$(271,181,296), respectively.

^(b) All or a portion designated as collateral for forward currency contracts.

Note: Country listed in parenthesis after each company indicates location of headquarters.

International Fund - PORTFOLIO OF INVESTMENTS
at September 30, 2009 (Unaudited)

FORWARD CURRENCY CONTRACTS

<u>Currency Units Sold</u>	<u>Currency Sold and Settlement Date</u>	<u>Currency Market Value</u>	<u>Unrealized Loss</u>
45,000,000	Euro 12/18/09	\$ 65,844,488	\$ (5,332,989)
43,000,000	Euro 3/26/10	62,898,684	(2,797,583)
8,000,000,000	Japanese Yen 12/18/09	89,170,489	(8,764,439)
9,800,000,000	Japanese Yen 2/26/10	109,293,371	(8,893,821)
5,750,000,000	Japanese Yen 3/26/10	64,139,890	(5,104,729)
72,000,000	Malaysian Ringgit 12/17/09	20,735,655	(324,404)
145,000,000	Malaysian Ringgit 3/26/10	41,622,842	(869,610)
30,000,000	Malaysian Ringgit 6/25/10	8,595,118	(65,120)
		<u>\$462,300,537</u>	<u>\$(32,152,695)</u>

COUNTRY WEIGHTINGS

	<u>Equity Only</u>	<u>Net Assets</u>
Japan	25.8%	24.5%
Canada	12.3	11.7
United States	9.6	9.2
Malaysia	8.0	7.6
Hong Kong	7.7	7.4
United Kingdom	7.5	7.1
Spain	7.4	7.0
Mexico	6.2	5.9
France	5.2	5.0
Netherlands	5.1	4.9
Germany	4.8	4.6
Ireland	0.4	0.3
	<u>100.0%</u>	<u>95.2</u>
Cash, other assets and liabilities, net		4.8
		<u>100.0%</u>

Longleaf Partners Funds FUND INFORMATION

The following additional information may be obtained without charge, upon request, by calling 1-800-445-9469, Option 1, or on the Funds' website at www.longleafpartners.com, or on the SEC's website at www.sec.gov.

Proxy Voting Policies and Procedures

A description of Longleaf's Proxy Voting Policies and Procedures is included in the Statement of Additional Information (SAI).

Proxy Voting Record

Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is contained in Form N-PX.

Quarterly Portfolio Holdings

Longleaf files a complete schedule of portfolio holdings for the first and third quarters of each fiscal year on Form N-Q, which is available on the SEC's website, and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (please call 1-800-SEC-0330 for information on the operation of the Public Reference Room).

In addition to Form N-Q, Longleaf publishes reports for each fiscal quarter. These reports include complete schedules of portfolio holdings, as well as performance updates and management discussion. We furnish Longleaf's Quarterly Reports in lieu of Form N-Q to shareholders who request information about our first and third quarter portfolio holdings, and Semi-Annual and Annual Reports for requests related to the second and fourth quarters, respectively.

Fund Trustees

Additional information about Fund Trustees is included in the Statement of Additional Information (SAI).

Longleaf Partners Funds SERVICE DIRECTORY

Contact us at www.longleafpartners.com or
(800) 445-9469

FUND INFORMATION

OPTION 1

To request a Prospectus, Statement of Additional Information (including Longleaf's Proxy Voting Policies and Procedures), financial report, application or other Fund information from 8:00 a.m. to 8:00 p.m. Eastern time, Monday through Friday.

DAILY FUND PRICES

OPTION 2

For automated reporting 24 hours a day, seven days a week.

ACCOUNT INFORMATION

OPTION 3

For account balance and transaction activity, 24 hours a day, seven days a week. Please have your Fund number (see below) and account number ready to access your investment information.

SHAREHOLDER INQUIRIES

OPTION 0

To request action on your existing account from 9:00 a.m. to 6:00 p.m. Eastern time, Monday through Friday.

CORRESPONDENCE

By regular mail:

Longleaf Partners Funds

P.O. Box 9694

Providence, RI 02940-9694

By express mail or overnight courier:

Longleaf Partners Funds

c/o PNC Global Investment Servicing

101 Sabin Street

Pawtucket, RI 02860

(508) 871-8800

PUBLISHED DAILY PRICE QUOTATIONS

Daily net asset value per share of each Fund is reported in mutual fund quotations tables of major newspapers in alphabetical order under the bold heading **Longleaf Partners** as follows:

<u>Abbreviation</u>	<u>Symbol</u>	<u>Cusip</u>	<u>Transfer Agent Fund Number</u>	<u>Status to New Investors</u>
Partners	LLPFX	543069108	133	Open
Sm-Cap	LLSCX	543069207	134	Closed 7-31-97
Intl	LLINX	543069405	136	Open